

Message Text

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INR-10 NSAE-00 RSC-01 FAA-00 PM-07 H-03 L-03 NSC-10

PA-03 PRS-01 SPC-03 SS-15 USIA-15 ACDA-19 IO-13 OMB-01

DRC-01 /151 W

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R P 111750Z SEP 73

FM USMISSION BERLIN

TO AMEMBASSY BONN

INFO SECSTATE WASHDC PRIORITY 2387

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

USMISSION NATO

C O N F I D E N T I A L SECTION 1 OF 2 BERLIN 1576

EO 11652: GDS

TAGS: PGOV, ETRN, WB, GW, UK

SUBJECT: BEA THREAT TO WITHDRAW FROM IGS

REF: A. STATE 177253

B. BONN 12913

1. SUMMARY: MISSION CONCURS IN INITIAL RESPONSE TO
BRITISH SUGGESTED BY DEPARTMENT AND AGREES PROBLEM
INTIMATELY TIED TO TEGEL-TEMPELHOF TRAFFIC ALLOCATION.
FURTHERMORE, WE BELIEVE BEA POSITION MAY OFFER OPPORTUNITY
TO REORGANIZE BERLIN AVIATION ON SOUND BASIS THROUGH MAJOR CHANGES
IN EXISTING POLICIES.
END SUMMARY.

2. MISSION CONCURS IN INITIAL RESPONSE TO BRITISH
OUTLINED REFTTEL A AND AGREES WITH REFTTEL B THAT BEA
PROBLEM IS INTERTWINED WITH FINANCIAL PROBLEMS
INVOLVED IN DIVISION OF TRAFFIC BETWEEN TEMPELHOF
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AND TEGEL. WE BELIEVE THAT ANY SURFACING OF FARE QUESTION

WITH FRG SHOULD BE POSTPONED UNTIL WE HAVE OUR VIEW OF ENTIRE IGS PROBLEM THOROUGHLY SORTED OUT. MOREOVER, BRITISH CAN MAKE GOOD CASE FOR SAYING THAT TIME HAS COME FOR BASIC REVIEW OF ENTIRE QUESTION OF FUTURE OF BERLIN AIR SERVICES, AND RECONSIDERATION OF BASIC ASSUMPTIONS THAT HAVE GOVERNED OUR POLICY TO DATE.

3. FOLLOWING IDEAS ARE HIGHLY TENTATIVE AND OBVIOUSLY NEED MUCH STUDY AND STAFFING BUT WE TRANSMIT THEM AS INDICATION OF DIRECTION OUR THINKING IS TAKING. WE START FROM ASSUMPTION WE MAY HAVE ABOUT REACHED POINT WHERE WE CANNOT EXPECT RELATIVELY SUCCESSFUL PAN AM OPERATION TO INCUR ANY FURTHER BURDEN OF BADLY MANAGED, BADLY EQUIPPED BEA IGS SERVICES. IT OCCURS TO US THAT BEA "THREAT" TO DROP OUT OF IGS RATHER THAN BEING NEGATIVE FACTOR MAY OFFER OPPORTUNITY TO PUT IGS ON SOUND BASIS AND DEVELOP RATIONAL PLAN FOR UTILIZATION OF TEGEL.

4. FIRST QUESTION IS WHAT LEVEL OF BEA IGS OPERATION IS REALLY NEEDED TO SUPPORT OUR POLITICAL PURPOSE? CONVENTIONAL WISDOM HAS BEEN THAT BEA PARTICIPATION SHOULD REMAIN AT SOMETHING LIKE PRESENT LEVEL IN ORDER TO INSURE BRITISH POLITICAL SUPPORT IN MAINTENANCE OF AIR ACCESS RIGHTS, BUT WE WONDER WHETHER THIS IS IN FACT TRUE. WE HAVE HAD EXCELLENT POLITICAL SUPPORT FROM FRENCH IN AIR MATTERS, EVEN THOUGH THERE IS ONLY TOKEN AIR FRANCE PARTICIPATION IN IGS, AND IT IS PROBABLE THAT SUCH SUPPORT IS FAR MORE A FUNCTION OF POLITICAL AND PRESTIGE CONSIDERATIONS THAN OF COMMERCIAL CONSIDERATIONS. INDEED IT CAN BE ARGUED THAT BEA'S FINANCIAL PROBLEMS HAVE SERIOUSLY WARPED BRITISH POSITION ON AIR MATTERS OVER LAST FEW YEARS AND MAY HAVE BEEN A PRIME CAUSE OF NEGATIVE UK ATTITUDES TOWARD INITIATIVES WITH REGARD TO BERLIN AVIATION. WE BELIEVE IT IS MOST UNLIKELY UM WOULD ABANDON LOCAL COMMERCIAL AVIATION SCENE ALTOGETHER, E. G., FLIGHTS TO LONDON WOULD DOUBTLESS CONTINUE, AND WE MAY WELL FIND WE HAVE NO LESS SUPPORT FROM UK WITH LOW LEVEL OF BEA INVOLVEMENT THAN WE DO FROM FRENCH.

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5. IT SEEMS TO US THAT BEA PARTICIPATION, ADEQUATE TO OUR POLITICAL NEEDS AND FINANCIALLY ATTRACTIVE TO THE COMPANY, COULD TAKE THE FORM OF SERVICE ON FEW ROUTES LEADING FROM LONDON, SUCH AS BERLIN-DUSSELDORF-LONDON, BERLIN-HAMBURG-LONDON, WITH TRAFFIC RIGHTS ON ALL SEGMENTS AND PERHAPS EVEN EXCLUSIVE RIGHTS ON ONE ADDITIONAL IGS ROUTE. REST OF IGS WOULD THEN BE SOLE RESPONSIBILITY OF PAN AM.KLEIN

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C O N F I D E N T I A L SECTION 2 OF 2 BERLIN 1576

PAN AM IGS FLEET HAS VARIED BETWEEN 10 AND 13 727'S
(WE UNDERSTAND THEY INTEND TO BASE ONLY NINE HERE
DURING COMING WINTER), BUT IT IS OUR IMPRESSION
(UNCLEARED WITH AIRLINE) THAT AS MANY AS 14-15 COULD
BE MADE AVAILABLE IF BUSINESS WARRANTED. THUS IT
WOULD APPEAR ON SURFACE THAT, GIVEN GREATER CAPACITY
OF 727 COMPARED WITH BAC-111 AND REDUCTION IN NON-
ECONOMIC FREQUENCIES THAT WOULD OBVIOUSLY OCCUR AS
CONSEQUENCE OF NON-COMPETITIVE SITUATION, ADQUATE
CAPACITY TO SERVE BERLIN'S NEEDS WOULD EXIST.

6. SOLUTION ALONG LINES DESCRIBED ABOVE MIGHT ALSO,
IN VIEW OF REDUCTION IN FREQUENCIES WHICH WOULD RESULT,
FACILITATE TRANSFER OF ENTIRE IGS TO TEGEL, WHICH WOULD ELIMINATE
THORNY PROBLEM OF HIGHER PERMANENT COSTS OF SPLIT-BASE
OPERATIONS. WHILE SUCH MOVE WOULD STILL ENTAIL
SUBSTANTIAL COSTS TO AIRLINES, FRG SUB-
SIDY IS ON PER-PASSENGER BASIS AND THUS, DURING
DECLINE OF PASSENGER TRAFFIC DURING PAST 18 MONTHS,

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TOTAL FRG EXPENDITURE ON BERLIN AVIATION HAS BEEN
SUBSTANTIALLY LESS THAN ANTICIPATED. PERHAPS
THESE FUNDS COULD BE MADE AVAILABLE TO DEFRAY COSTS OF MOVE.

7. AN ABRUPT AND RADICAL REDUCTION IN BEA IGS
PARTICIPATION WOULD OF COURSE BE SOMEWHAT OF A
SHOCK TO BERLIN, BUT POPULATION, DUE TO MEMORIES
OF AIRLIFT AND SUPERIOR PERFORMANCE OF PAN AM, HAS
LONG SHOWN PREFERENCE FOR AMERICAN WINGS. WE BELIEVE
THAT AFTER AN INITIAL FLURRY OF CRITICISM, AVERAGE
WEST BERLINER WOULD PROBABLY ACCEPT CHANGE WITH
EQUANIMITY. NEAR MONOPOLY OF IGS COULD MAKE US
POSITION VIS-A-VIS FRG ON BERLIN AIR MATTERS SOMEWHAT
MORE DIFFICULT BUT WE BELIEVE RESULTANT PROBLEMS WOULD
BE MANAGEABLE.

8. WE RECOGNIZE THAT ABOVE REPRESENTS SHARP BREAK
WITH TRADITIONAL POLICY WITH REGARD TO BERLIN AVIATION,
BUT IN OUR VIEW POINT HAS PROBABLY BEEN REACHED WHERE
COMMERCIAL AIR SITUATION NO LONGER LENDS ITSELF TO
EMERGENCY FIRST AID. IF EMBASSY AND DEPARTMENT FIND
MERIT IN SOME OF OUR IDEAS, WE SUGGEST TASK FORCE BE
SET UP TO EXPLORE PACKAGE FURTHER. KLEIN

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